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New EBRI-Commonwealth Fund Research:

Consumer-Driven Health Plans Slow To Catch On, 2nd Annual Survey Finds

New Plans Also Not a Major Source of Coverage for the Uninsured

WASHINGTON—Americans have not yet warmed to consumer-driven health plans, a relatively new kind of coverage that offers reduced premiums but carries higher annual deductibles. Enrollment in consumer-driven plans remains low, and satisfaction continues to lag when compared with more comprehensive health insurance, according to a survey released today by the Employee Benefit Research Institute (EBRI) and The Commonwealth Fund, nonpartisan organizations.

The second annual EBRI-Commonwealth Fund Consumerism in Health Care Survey also finds that, despite the expectations of some policymakers that the lower premiums and tax benefits of consumer-driven health plans (CDHPs) would substantially reduce the number of people without health insurance, adults in these plans were no more likely to have been uninsured before enrolling in their plans than are those with more comprehensive insurance coverage.

Dallas Salisbury, EBRI president and chief executive officer, said, “It will be interesting to see if continually rising health care costs prompt more workers to conclude that the tradeoff of lower premiums for higher deductibles, and potentially higher out-of-pocket costs, is worth it. The survey does find participants in consumer-driven health plans are more cost-conscious. Clearly, the choice becomes easier when some of the drawbacks of first-generation consumer-driven plans are removed, such as lack of protection for prevention and chronic care management within the deductible that may cause patients to delay or avoid getting needed care.”

Karen Davis, Commonwealth Fund president, said, “Despite their tax benefits, consumer-driven health plans are not attracting large numbers of adults without insurance coverage, relative to other insurance. New strategies are needed to provide affordable and meaningful insurance to the nation’s 47 million uninsured.”

A full report on the survey is published in the December 2006 *EBRI Issue Brief*. The report is available on both organizations’ Web sites, www.ebri.org and www.cmwf.org

The survey defined consumer-driven and high-deductible plans as having deductibles of \$1,000 or more for employee-only coverage and \$2,000 or more for family coverage. According to the survey, consumer-

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driven plans also feature one of two kinds of tax-exempt savings accounts: health savings accounts (HSAs) and health reimbursement arrangements (HRAs). Employers and employees can contribute pre-tax income to HSAs, while only employers can contribute to HRAs. Employees can use money in the accounts, without tax penalty, to pay for medical expenses not covered by their health plans.

The survey, a nationally representative sample of individuals with consumer-driven and high-deductible health plans and more comprehensive health plans, found that:

- One percent of the privately insured U.S. population ages 21–64, or 1.3 million individuals, were enrolled in consumer-driven health plans in September 2006, unchanged from the year before despite the widespread attention the new plans have received. Another 7 percent, or 8.5 million adults, had plans with deductibles high enough to qualify for health savings account but did not have an account.
- Ten percent of consumer-driven plan enrollees were uninsured before being covered by their current plan, compared with 20 percent among high-deductible health plan enrollees and 24 percent among those with comprehensive coverage.
- A large majority of people with high-deductible health plans do not have a savings account, mainly because they can't afford to contribute to it. About one-third of the 1.3 million adults in consumer-driven plans do not receive employer contributions to their accounts, and nearly 1 in 5 does not contribute their own money to the accounts. People with lower incomes who have consumer-driven plans are much less likely to contribute to their accounts than are those in higher-income households.
- People in consumer-driven plans spend large shares of their income on out-of-pocket costs and premiums. Forty-four percent of adults in CDHPs spend 5 percent or more of their income on medical costs and premiums—double the rate of those with more comprehensive coverage.

Paul Fronstin, senior research associate at EBRI and lead author of the report, said, “The survey findings reveal that adults in all plan types are searching for information on the cost and quality of providers. A majority of privately insured adults in all plans view the provision of such information as a priority for the health system.”

Sara Collins, assistant vice president at the Commonwealth Fund and co-author of the report, said, “Adults with health problems or with lower incomes bear the largest financial burdens associated with consumer-driven plans. Two-thirds of people in consumer driven plans with annual household incomes of under \$50,000 are spending 5 percent or more of their income on medical expenses and premiums and 2 in 5 are spending 10 percent or more.”

Consumer-driven plans remain largely unknown to most Americans, the survey found. Nationally, just 1 in 5 consumers in this year's survey was at least somewhat familiar with CDHPs, unchanged from 2005. Additional findings include:

- More than half of adults in consumer-driven plans, including those with coverage through their employers, reported that their deductibles applied to *all* their medical care—even though the law that created health savings accounts allows the cost of preventive services to be excluded from deductibles and still be eligible for an HSA. This provision in the legislation was designed to encourage people with high deductibles to get regular screening tests like mammograms and colonoscopies.
- Consumer-driven plan participants are often more cost-conscious in their health care decisions—one of the plans' objectives. Adults in consumer-driven plans are significantly more likely to say that the terms of their health plans make them consider costs when deciding to see a doctor or fill a prescription, to report that they had checked the price of a service prior to receiving care, and to ask their doctor for a less costly prescription drug.

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- Thirty-eight percent of those with consumer-driven coverage said that during the last 12 months they had delayed or avoided getting any type of needed health care because of cost, compared with 19 percent of those with comprehensive insurance.
- When individuals were asked about the frequency with which they used health services over the year and if they had received a selected set of preventive care services, no clear conclusions were evident. For example, adults over age 50 in consumer-driven plans are significantly less likely than those with more comprehensive coverage to have had a colon cancer screening test in the last five years, and all adults in CDHPs were less likely to have had their blood pressure checked in the last year. But adults in CDHPs were also more likely to say that they had had their cholesterol checked in the last five years. And adults with chronic health conditions in CDHPs are no less likely to say that they follow their treatment regimens very carefully than are those in more comprehensive plans.
- Despite the emphasis on the need for information on the cost and quality of providers to enable people in consumer-driven plans to make informed decisions about their health care, adults in these plans were significantly less likely than those in more comprehensive health plans to report that their plans provided such information.
- If they had a choice, 36 percent of those in consumer-driven plans said they would stay with their plan, compared with 63 percent of those with comprehensive coverage. This was a 10 percentage point drop from a year ago in those likely to stay with consumer-driven plans if they had a choice.
- More than half of those in consumer-driven plans said they were not too or not at all satisfied with their out-of-pocket costs, compared with 21 percent of those with comprehensive coverage.
- Thirty percent of those with consumer-directed coverage said they were extremely or very likely to recommend their plan to a friend or co-worker, compared with 53 percent of those with comprehensive coverage.

The survey of 3,158 U.S. adults ages 21–64 was conducted Sept. 1–19, 2006, through a 14-minute Internet survey. The base sample was drawn randomly from Synovate’s online sample of 1.5 million Internet users who have agreed to participate in research surveys, and was complemented with a randomly drawn over-sample of adults in consumer-driven health plans and in health plans with deductibles high enough to meet the threshold for a health savings account but who do not have an account. The final sample included 722 adults in consumer-driven health plans, 930 adults in high-deductible health plans, and 1,506 adults in more comprehensive plans, or those with lower or no deductibles. Details about the survey methodology are available in the full study.

EBRI is a private, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. The Commonwealth Fund is a private foundation that aims to promote a high-performing health care system by supporting independent research on health care issues.

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